



INKWANCA LOCAL MUNICIPALITY

EC133

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Inkwanca Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

M N Qamngwana	Mayor / Speaker
K J Jonga	Councillors
N Yaliwe	Councillors
N N Cwebi	Councillors
G X Mkhubukeli-Lufele	Councillors
C H Guba	Councillors
C M Botha	Councillors

Municipal Manager

S.G. SIGOJO

Acting Chief Financial Officer

L. LABUSCHAGNE

Nature of Business and Grading of Local Authority

Inkwanca Municipality is a Grade 2 Local Authority

Inkwanca Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

Auditors

Auditor-General, East London

Bankers

Standard Bank
P. O. Box 14
Molteno
5500

Inkwanca Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information (continued)

Registered Office:

Molteno

Jurisdiction:

Inkwanca Municipality includes Molteno and Sterkstroom

Physical address:

39 Smith Street
Molteno
5500

Postal address:

P.O. Box 1
Molteno
5500

Telephone number:

045 - 967 0021

Fax number:

045 - 967 0467

E-mail address:

louisal@lgnet.org.za

Inkwanca Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 37, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

31 August 2012

Inkwanca Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9 - 19
Notes to the ANNUAL Financial Statements	20 - 37
Appendix A: Schedule of External Loans	38
Appendix B: Analysis of Property, Plant and Equipment	39 - 40
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	41
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	42

Inkwanca Local Municipality
STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	563 081	1 077 382
Trade and other receivables from exchange transactions	2	25 691 432	3 060 464
Other receivables from non-exchange transactions	3	565 252	328 712
Inventories	4	43 702	43 702
VAT receivable	5	1 929 882	1 432 232
Non-current assets			
Property, plant and equipment	6	3 570 127	3 570 127
Investment property carried at cost	7	-	-
Total assets		32 363 476	9 512 619
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	8	11 580 426	14 247 472
Consumer deposits	9	190 251	169 512
Current provisions	10	1 891 118	1 891 118
Current portion of unspent conditional grants and receipts	11	5 014 974	3 560 020
Current portion of borrowings	12	2 069 011	2 069 011
Current portion of finance lease liability	13	30 326	73 114
Non-current liabilities			
Non-current unspent conditional grants and receipts	11	-	-
Non-current borrowings	12	-	-
Non-current finance lease liability	13	60 957	80 217
Total liabilities		20 837 063	22 090 463
Net assets		11 526 413	(12 577 844)
NET ASSETS			
Accumulated surplus / (deficit)		11 526 413	(12 577 844)
Total net assets		11 526 413	(12 577 844)

Inkwanca Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

	Note	2012 R	2011 R
Revenue			
Property rates	14	9 513 984	3 634 270
Property rates - penalties imposed and collection charges	14	-	-
Service charges	15	15 038 275	7 927 648
Rental of facilities and equipment	16	81 664	63 593
Interest earned - external investments	17	-	762
Interest earned - outstanding receivables	18	5 024 617	2 117 962
Fines		54 146	87 584
Licences and permits		26 603	-
Government grants and subsidies	19	21 267 999	22 011 163
Other income	20	524 872	2 013 992
Total revenue		51 532 162	37 856 974
Expenses			
Employee related costs	21	15 636 553	13 715 846
Remuneration of councillors	22	1 556 163	1 655 482
Bad debts impairment		-	10 117 936
Depreciation and amortisation expense	23	-	-
Repairs and maintenance		1 309 957	2 027 238
Finance costs	24	4 045	125 506
Bulk purchases	25	4 538 592	4 604 067
Grants and subsidies expensed	27	-	9 093 709
General expenses	28	4 382 595	4 118 836
Total expenses		27 427 905	45 458 620
Surplus / (deficit) for the period		24 104 257	(7 601 645)

Inkwanca Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2012

	Note	Reserves R	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 30 June 2010			(4 976 198)	(4 976 198)
Correction of prior period error	42		-	-
Restated balance		-	(4 976 198)	(4 976 198)
Surplus / (deficit) for the period			(7 601 645)	(7 601 645)
Balance at 30 June 2011		-	(12 577 843)	(12 577 843)
Surplus / (deficit) for the period			24 104 257	(7 601 645)
Balance at 30 April 2012		-	11 526 414	11 526 414

Inkwanca Local Municipality

CASH FLOW STATEMENT

for the year ended 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		30 140 348	37 925 810
Sales of goods and services		1 942 031	13 795 924
Grants		22 722 953	22 011 163
Interest received		5 024 617	2 118 724
Other receipts		450 746	
Payments		(30 592 600)	38 327 665
Employee costs		(17 192 716)	14 146 416
Suppliers		(13 395 838)	24 055 743
Interest paid		(4 045)	125 506
CASH GENERATED BY OPERATIONS	29	(452 252)	(401 855)
Interest income			2 118 724
Finance costs			(125 506)
		1 591 363	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		-	(820 294)
Proceeds from sale of fixed assets		-	-
Other		-	-
Net cash flows from investing activities		-	(820 294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) borrowings and finance lease liability		(62 048)	(48 182)
Other			
Net cash flows from financing activities		(62 048)	(48 182)
Net increase / (decrease) in net cash and cash equivalents		(514 300)	722 887
Net cash and cash equivalents at beginning of year		1 077 382	354 495
Net cash and cash equivalents at end of year	30	563 082	1 077 382

Inkwanca Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET 1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005 - No effective date has been determined by the Minister of Finance

GRAP 25 Employee Benefits - issued November 2009 - No effective date has been determined by the Minister
GRAP 105 Transfer of functions between entities under common control - issued November 2010 - No effective date has been determined by the Minister of Finance

GRAP 106 Transfer of functions between entities not under common control - issued November 2010 - No effective date has been determined by the Minister of Finance

GRAP 107 Mergers - issued November 2010 - No effective date has been determined by the Minister of Finance

Impact on the municipality's financial statements once implemented:

GRAP 25: The current accounting policies do not deviate substantially from the requirements per the not yet approved GRAP standards, the impact of the adoption of these standards are therefore not considered to be substantial, except for some disclosure amendments.

GRAP 105: The implementation of this standard will not have any effect in the period when it becomes effective as the municipality is not under common control.

GRAP 106: The implementation of this standard will not have an effect on the period of initial application as no transfer of functions are considered likely within the foreseeable future.

GRAP 107: The implementation of this standard will not have any effect based on the current situation as no mergers are being undertaken in the foreseeable future.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	5-100	Buildings	30
Electricity - Meters	0	Specialist vehicles	3-30
Electricity	10-60	Other vehicles	4-15
Water	10-150	Office equipment	3-5
Sewerage	0	Furniture and fittings	0
Community		Specialised plant and equipment	0
Buildings	30	Other items of plant and equipment	0
Recreational Facilities	20-30	Landfill sites	0
Halls	30	Computer equipment	0
Libraries	30		
Heritage assets			
Buildings	0		
Paintings and artifacts	0		
Finance lease assets			
Office equipment	5		
Other assets	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is initially recognised when future benefits are probable and the cost can be determined reliably.

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

0

The residual value, the useful life of an asset and the depreciation method is reviewed periodically and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

4.3 DERECOGNISED

Investment property is derecognised when there is a disposal or no future economic benefits are to be derived and all gains or losses are recognised in the Statements of Financial Performance.

4.4 IMPAIRMENT

The municipality tests investment property for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an investment property is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method or the weighted average method

Unsold properties and land used for housing are valued at the lower of cost or current replacement cost. Unsold properties and land used for housing are classified as inventory where there is an intention to develop such land and to sell or transfer it to a third party.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument, and are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through the Statement of Financial Performance, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Financial Assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Municipality has transferred substantially all risks and rewards of ownership, or when the Municipality loses control of contractual rights that comprise the assets.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or when it expires.

7.2.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets (excluding patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on history.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue at fair value arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue at fair value from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 BORROWING COSTS

Borrowing costs incurred are recognised as an expense and are charged to the Statement of financial Performance when incurred.

The municipality has adopted this approach as it is impracticable to capitalise borrowing costs to numerous different capital projects.

15 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councilors. Defined Contribution plans are post-employment benefit plans, under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

16 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate its financial effect, or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

EMPLOYEE BENEFITS

The costs of all short-term employee benefits, such as leave pay, are recognised as they accrue to employees. The liability is based on the total amount of leave days due to the employees at year end and on the salary of the employee.

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	-	-
Cash at bank	563 081	1 077 382
	<hr/>	<hr/>
	563 081	1 077 382

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Molteno Branch - Acc No 280 66 1061

Cash book balance at beginning of year	989 778	142 424
Cash book balance at year end 30 June 2012	<hr/>	<hr/>
	(399 755)	989 788
	<hr/>	<hr/>
Bank statement balance at beginning of year	997 335	142 424
Bank statement balance at year end 30 June 2012	<hr/>	<hr/>
	409 339	997 335
	<hr/>	<hr/>

Current Account (Other Account)

Standard Bank - Molteno Branch - Acc No 280 67 0893		
Standard Bank - Molteno Branch - Acc No 280 66 1541		
Standard Bank - Molteno Branch - Acc No 280 66 1258		
Standard Bank - Molteno Branch - Acc No 38 85 0097		
Standard Bank - Molteno Branch - Acc No 38 85 0169		
Standard Bank - Molteno Branch - Acc No 38 85 0220		
Standard Bank - Molteno Branch - Acc No 38 85 0180		
Standard Bank - Molteno Branch - Acc No 28 06 6132		
Standard Bank - Molteno Branch - Acc No 38 85 0242		
Standard Bank - Molteno Branch - Acc No 38 85 0107		
Standard Bank - Molteno Branch - Acc No 38 85 0104		
Standard Bank - Molteno Branch - Acc No 38 85 0214		
Standard Bank - Molteno Branch - Acc No 38 85 0106		
Standard Bank - Molteno Branch - Acc No 38 85 0108		
Standard Bank - Molteno Branch - Acc No 38 85 0130		

Cash book balance at beginning of year	20 069	48 904
Cash book balance at month end 30 June 2012	<hr/>	<hr/>
	962 834	20 069
	<hr/>	<hr/>
Bank statement balance at beginning of year	12 258	48 904
Bank statement balance at month end 30 June 2012	<hr/>	<hr/>
	962 834	12 258
	<hr/>	<hr/>

NATIS Account

Standard Bank - Molteno Branch - Acc No 280 66 0332

Cash book balance at beginning of year	67 525	163 169
Cash book balance at year end 30 June 2012	<hr/>	<hr/>
	36 828	67 525
	<hr/>	<hr/>
Bank statement balance at beginning of year	67 525	163 169
Bank statement balance at year end 30 June 2012	<hr/>	<hr/>
	36 828	67 525
	<hr/>	<hr/>

Cash on hand

Total cash and cash equivalents	563 081	1 077 382
	<hr/>	<hr/>
Total bank overdraft	-	-

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012	2011
R	R

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS <u>Trade receivables</u> <u>as at 30 June 2012</u>	2012		2011	
	R		R	
	Gross Balances	Provision for Doubtful Debts	Net Balance	R
Service debtors				
Rates	18 165 054	(58 542 781)	(40 377 726)	
Electricity	4 302 708		4 302 708	
Water	36 737 107	(24 802 515)	11 934 592	
Sewerage	18 272 361	(3 349 073)	14 923 288	
Refuse	10 256 940	(1 866 226)	8 390 714	
Other	27 355 761		27 355 761	
	115 089 931	(88 560 594)	26 529 337	
Add: Credit Balances taken to Trade and other payables from exchange transactions	(837 905)	-	(837 905)	
Total	114 252 026	(88 560 594)	25 691 432	
 <u>as at 30 June 2011</u>				
Service debtors				
Rates	10 557 443	(10 043 017)	514 426	
Electricity	2 883 297	(1 984 959)	898 337	
Water			-	
Sewerage			-	
Refuse	8 867 496	(8 447 135)	420 362	
Other	20 768 972	(20 301 370)	467 602	
	43 077 207	(40 776 480)	2 300 727	
Add: Credit Balances taken to Trade and other payables from exchange transactions	759 737	-	759 737	
Total	43 836 944	(40 776 480)	3 060 464	
 <u>Rates: Ageing</u>				
Current (0 – 30 days)				
31 - 60 Days	1 652 233		379 233	
61 - 90 Days	219 397		132 624	
91 - 120 Days	216 935		126 577	
121 - 365 Days	215 467		129 363	
+ 365 Days	674 776		2 367 130	
Total	4 900 876		7 422 515	
	7 879 684		10 557 442	
 <u>Electricity, Water and Sewerage: Ageing</u>				
Current (0 – 30 days)				
31 - 60 Days	5 033 318		669 082	
61 - 90 Days	644 152		226 454	
91 - 120 Days	835 185		185 355	
121 - 365 Days	764 407		116 527	
+ 365 Days	5 500 683		764 852	
Total	44 353 982		921 026	
	57 131 727		2 883 296	
 <u>Other Debtors: Ageing</u>				
Current (0 – 30 days)				
31 - 60 Days	1 655 665		171 026	
61 - 90 Days	810 889		851 099	
91 - 120 Days	802 177		840 663	
121 - 365 Days	784 572		672 386	
+ 365 Days	5 661 634		4 793 373	
Total	30 522 999		22 307 923	
	40 237 936		29 636 470	
 <u>Reconciliation of the doubtful debt provision</u>				
Balance at beginning of the year			88 560 594	30 658 544
Contributions to provision				10 117 937
Balance at end of year			88 560 594	40 776 480
 <u>Consumer debtors pledged as security</u>				
No portion of accounts receivable was pledged as security for any financial liabilities				
 <u>Consumer debtors impaired</u>				

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012	2011
R	R

As of 30 June 2012, consumer debtors of R 88,560,594 (2011: R 40,776,480) were impaired and provided for.

Amounts totaling R (2011: R) were written off as uncollectable against the debt impairment allowance account. This represents% (2011:%) of the total operating income for the year

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other debtors	565 252	328 712
Chris Hani District Municipality - Water Services Authority control account	-	-
Less: Provision for doubtful debts	-	-
Total Other Debtors	565 252	328 712

Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables from non-exchange transactions of R (2011: R)

were impaired and provided for.

Amounts totaling R (2011: R) were written off as uncollectable against the debt impairment allowance account. This represents% (2011:%) of the total operating income for the year.

4 INVENTORIES

Inventories:

Consumable stores - at cost

43 702	43 702
43 702	43 702

Inventory pledged as security

No inventory was pledged as security

5 VAT RECEIVABLE

VAT receivable

1 929 881	1 432 232
1 929 881	1 432 232

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	-	-	1 659 568	1 462 469	-	401 865	46 224	3 570 127
Cost/Revaluation	-	-	1 659 568	1 462 469	-	401 865	46 224	3 570 127
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
as at 30 June 2012	-	-	1 659 568	1 462 469	-	401 865	46 224	3 570 127
Cost/Revaluation	-	-	1 659 568	1 462 469	-	401 865	46 224	3 570 127
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

The municipality has elected to apply the transitional provision as contained in Directive 4

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	-	-	1 624 179	862 386	-	263 267	-	2 749 832
Cost/Revaluation	-	-	1 624 179	862 386	-	263 267	-	2 749 832
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	35 389	600 083	-	138 598	46 224	820 294
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
as at 30 June 2011	-	-	1 659 568	1 462 469	-	401 865	46 224	3 570 127
Cost/Revaluation	-	-	1 659 568	1 462 469	-	401 865	46 224	3 570 127
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

The municipality has elected to apply the transitional provision as contained in Directive 4

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
7 INVESTMENT PROPERTY CARRIED AT COST			
7.1 Reconciliation of carrying value			
as at 1 July 2011		Investment property R	Total R
Cost		-	-
Accumulated depreciation and impairment losses		-	-
Acquisitions		-	-
Depreciation		-	-
Carrying value of disposals		-	-
Cost		-	-
Accumulated depreciation		-	-
Impairment loss/Reversal of impairment loss		-	-
Transfers		-	-
Other movements		-	-
as at 30 June 2012		-	-
Cost		-	-
Accumulated depreciation and impairment losses		-	-
7.2 Reconciliation of carrying value			
as at 1 July 2010		Investment property R	Total R
Cost		-	-
Accumulated depreciation and impairment losses		-	-
Acquisitions		-	-
Depreciation		-	-
Carrying value of disposals		-	-
Cost		-	-
Accumulated depreciation		-	-
Impairment loss/Reversal of impairment loss		-	-
Transfers		-	-
Other movements		-	-
as at 30 June 2011		-	-
Cost		-	-
Accumulated depreciation and impairment losses		-	-
7.3 Investment property pledged as security		None	
7.4			

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	9 719 147
Transfer of credit balances from Trade and other receivables from exchange transactions	
Chris Hani District Municipality - Water Services Authority control account (see note 43)	
Other creditors	1 861 280
Total creditors	11 580 426

*The fair value of trade and other payables approximates their carrying amounts.
None of the trade payables are secured*

9 CONSUMER DEPOSITS

Other	190 251
Total consumer deposits	190 251

10 PROVISIONS

Bonus	475 997
Landfill Sites	-
Provision for leave	1 415 121
Total Provisions	1 891 118

Bonus

This provision is in respect of short term liability relating to long service bonuses payable to employees.

Provision for leave

This provision is in respect of short term liability relating to leave payable to employees.

Provision for landfill sites

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the Rehabilitation of landfill sites obligation was calculated by inflating the non current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used:

Interest rate used is borrowing rate at **7.65%**

The valuation for the landfill site provision was done by Mr A Mxenge, an environmental specialist seconded by the department of Local Government and Traditional Affairs Bhisho.

The movement in current provisions are reconciled as follows: -

	Provision for Landfill Sites	Provision for Bonuses
as at 1 July 2011	-	475 997
Contributions to provision / (expenditure)	-	
as at 30 June 2012	-	475 997
as at 1 July 2010	-	400 480
Contributions to provision / (expenditure)	-	75 517
as at 30 June 2011	-	475 997

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Unspent Conditional Grants from other spheres of Government

Financial Management Grant	(782 666)
Land Development Fund	348 980
MIG	4 134 771
MSIG	967 743
Update Fixed Assets Register	280 000
800 Houses	2 000
Update Valuation Role	64 146

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	R
Transfer of funds with Debit balances to Other Receivables from Non-Exchange transactions		-
Total Unspent Conditional Grants and Receipts	<u>5 014 974</u>	
Non-current unspent conditional grants and receipts		-
Current portion of unspent conditional grants and receipts		5 014 974

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

12 BORROWINGS

Chris Hani District Municipality	2 069 011
	<u>2 069 011</u>
	(2 069 011)
Chris Hani District Municipality	(2 069 011)
	<u>(2 069 011)</u>
Total borrowings	-
	<u><u>-</u></u>

Refer to Appendix A for more detail on borrowings.

The borrowing is unsecured, interest free and repayable at the discretion of the parties.

13 FINANCE LEASE LIABILITY

2012	Minimum lease payment	Future finance charges
	R	R
Amounts payable under finance leases		
Within one year	53 317	22 992
Within two to five years	<u>60 967</u>	
	<u>114 284</u>	<u>22 992</u>
Less: Amount due for settlement within 12 months (current portion)		

2011	Minimum lease payment	Future finance charges
	R	R
Amounts payable under finance leases		
Within one year	85 116	12 002
Within two to five years	<u>91 207</u>	<u>10 990</u>
	<u>176 323</u>	<u>22 992</u>
Less: Amount due for settlement within 12 months (current portion)		

The average lease term is 5 years and the average effective borrowing rate is 9%. Interest rates are variable. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

14 PROPERTY RATES

Actual	
Residential and other property's	3 634 270
Total property rates	3 634 270
Property rates - penalties imposed and collection charges	-
Total	3 634 270

15 SERVICE CHARGES

Sale of electricity	4 652 471
Refuse removal	<u>3 275 177</u>
Total Service Charges	7 927 648
	<u><u>7 927 648</u></u>

16 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	63 593
Total rentals	63 593
	<u><u>63 593</u></u>

17 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	762
Total interest	762
	<u><u>762</u></u>

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

18 INTEREST EARNED - OUTSTANDING RECEIVABLES

Consumers	2 117 962
Total interest	2 117 962

19 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	13 502 512
MIG Grant	2 582 216
MSIG	815 098
Finance Management Grant	2 432 936
Subsidy - Chris Hani District Municipality	2 678 401
Other Government Grants and Subsidies	-
Total Government Grant and Subsidies	22 011 163

19.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy.

20 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

20.1 Other income

Total Other Income	-
--------------------	---

21 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	9 600 200
Employee related costs - Contributions for UIF, pensions and medical aids	1 785 770
Travel, motor car, accommodation, subsistence and other allowances	509 207
Overtime payments	181 438
Performance and other bonuses	841 216
Other employee related costs	798 014
Total Employee Related Costs	13 715 846

There were no advances to employees / Loans to employees are set out in note 2.

Remuneration of the Municipal Manager

Annual Remuneration	394 749
Performance- and other bonuses	20 224
Travel, motor car, accommodation, subsistence and other allowances	130 436
Contributions to UIF, Medical and Pension Funds	1 121
Ex Gratuity	761 348
Total	1 307 878

Remuneration of the Chief Finance Officer

Annual Remuneration	301 599
Performance- and other bonuses	27 558
Travel, motor car, accommodation, subsistence and other allowances	3 000
Contributions to UIF, Medical and Pension Funds	749
Total	332 906

Remuneration of Individual Executive Directors

2012	Technical Services R	Corporate Services R
Annual Remuneration	401 825	338 644
Performance- and other bonuses	28 345	28 220
Travel, motor car, accommodation, subsistence and other allowances	4 500	149 602
Contributions to UIF, Medical and Pension Funds	1 123	1 497
Total	435 793	517 964

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	
	R	R
	Technical Services	Corporate Services
	R	R
2011		
Annual Remuneration	376 924	285 293
Performance- and other bonuses	54 065	46 524
Travel, motor car, accommodation, subsistence and other allowances	6 000	102 555
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	438 486	435 869

22 REMUNERATION OF COUNCILLORS

Councillors' pension and medical aid contributions	83 456
Councillors' allowances	1 572 026
Total Councillors' Remuneration	1 655 482

23 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	-
Total Depreciation and Amortisation	-
	-

24 FINANCE COSTS

Borrowings	125 501
Bank overdrafts	5
Total Finance Costs	125 506

25 BULK PURCHASES

Electricity	4 604 067
Total Bulk Purchases	4 604 067
	-

26 CONTRACTED SERVICES

Contracted services for:
Cash Management

27 GRANTS AND SUBSIDIES EXPENDED

Grant expenses - Municipal Systems Implementation Grant	-
Grant expenses - Financial Management Grant	-
Grant expenses - Municipal Infrastructure Grant	-
Grant expenses - Subsidy water	-
Grant expenses - Subsidy Indigents	-
Expenditure charged against unconditional grants	-
Expenditure charged against conditional grants	-

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012	R
------	---

28 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	13 336
Admin fees	31 662
Audit fees	1 560 981
Bank charges	103 419
Cleaning	-
Conferences and delegations	-
Entertainment	11 311
Grant expenditure	434 871
Fuel and oil	346 043
Insurance	92 565
Legal expenses	8 508
Licence fees - all	4 484
Membership fees	149 077
Postage	5 919
Printing and stationery	141 737
Professional fees	-
Rental of office equipment	130 323
Other rentals	-
Security costs	28 835
Stocks and material	-
Subscription & publication	151 191
Telephone cost	484 646
Training	189 637
Travel and subsistence	107 216
Uniforms & overalls	64 891
Other	58 183
<hr/>	
	4 118 836

29 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(7 601 645)
<i>Adjustment for:-</i>	
Depreciation and amortisation	-
Contribution to provisions - current	578 313
Finance costs	125 506
Fair value adjustments	-
Interest earned	(2 118 724)
Operating surplus before working capital changes:	(9 016 550)
(Increase)/decrease in inventories	(43 702)
(Increase)/decrease in trade receivables	(1 508 931)
(Increase)/decrease in other receivables	2 430 084
(Increase)/decrease in non current receivables	-
(Increase)/decrease in VAT receivable	(989 990)
Increase/(decrease) in conditional grants and receipts	1 775 581
Increase/(decrease) in trade payables	6 959 809
Increase/(decrease) in consumer deposits	(8 157)
Increase/(decrease) in VAT payable	(0)
Cash generated by/(utilised in) operations	(401 855)

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	1 077 382
Net cash and cash equivalents (net of bank overdrafts)	1 077 382

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

31.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

<u>Vote</u>	Actual	Adjusted Budget
Vote 1 - Executive and Council	1 939 986	1 658 437
Vote 3 - Budget and Treasury Office	11 142 901	4 246 775
Vote 4 - Technical Office	10 091 707	6 167 868
Vote 6 - Community Services	7 908 117	6 872 779
Vote 7 - Corporate Services	3 072 326	2 838 777
Unauthorised expenditure awaiting authorisation	34 155 037	21 784 636

31.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	509 433
Fruitless and wasteful expenditure current year	153 760
Condoned or written off by Council	-
To be recovered – contingent asset	-
Fruitless and wasteful expenditure awaiting condonement	663 193

The following is a list of Fruitless and wasteful expenditure incurred during the year:

Interest on trade payables - Office of the Auditor General	89 181
Interest on trade payables - Eskom	64 579
	153 760

Incident

Interest charged on over due accounts

<u>Reconciliation of irregular expenditure</u>	
Opening balance	1 997 140
Irregular expenditure current year	-
Condoned or written off by Council	-
Transfer to receivables for recovery – not condoned	-
Irregular expenditure awaiting condonement	1 997 140

<u>Incident</u>	<u>Disciplinary steps/criminal proceedings</u>	<u>Amount</u>
Tendering process irregularities.	None	R 1 985 586
Payments on Terminations	None	R 11 554
		R 1 997 140

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance	298 776
Council subscriptions	116 500
Amount paid - current	-
Amount paid - previous years	-
Balance unpaid (included in payables)	415 276

32.2 Audit fees

Opening balance	1 681 276
Current year audit fee	1 163 991
Amount paid - current year	(1 256 281)
Amount paid - previous years	
Balance unpaid (included in payables)	1 588 986

The balance unpaid represents the audit fee for the audit conducted during 2010 and is payable in full.

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

32.3 VAT

VAT input receivables and VAT output payables are shown in note 5. All VAT returns up to June 2011 have been submitted. The returns are still outstanding.

32.4 PAYE and UIF

Opening balance	61 754
Current year payroll deductions	1 545 825
Amount paid - current year	-
Amount paid - previous years	-
Balance unpaid (included in payables)	1 607 579

32.5 Pension and Medical Aid Deductions

Opening balance	-
Current year payroll deductions and Council Contributions	2 463 373
Amount paid - current year	(2 142 300)
Amount paid - previous years	-
Balance unpaid (included in payables)	321 073

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

32.6 Councillor's arrear consumer accounts

The following Councillors had arrear consumer accounts outstanding for more than 90 days as at:	Total	Outstanding less than 90 days
	R	R
as at 30 June 2011		
<i>None</i>	-	-
Total Councillor Arrear Consumer Accounts	-	-

32.7

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has not paid their suppliers in terms of the MFMA. This due to the lack of funds.

33 CAPITAL COMMITMENTS

33.1 Commitments in respect of capital expenditure

PROJECT

Approved and contracted for:

Spatial Development Framework	259 076
Resurfacing of Nomonde Access Road	2 163 817
Skoyi Bridge Construction	3 027 423
Renovation of Sterkstroom Community Hall	3 439 746

Approved but not yet contracted for:

None

Total

8 890 063	
------------------	--

This expenditure will be financed from:

- External Loans	-
- Government Grants	8 890 063
- Own resources	-
- District Council Grants	-
	8 890 063

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

34 RETIREMENT BENEFIT INFORMATION

34.1 Defined contribution plan

The following is a defined contribution plan. These contributions have been expensed.

On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.

Number of members	6
Annual Cost	134 451

35 CONTINGENT LIABILITY

None

36 CONTINGENT ASSET

None

37 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

Intervention team from the Department of Local Government and Traditional Affairs. (Operation clean audit)

38 RELATED PARTIES

Related party transactions

The following transaction were concluded with related parties:

Councillors

<u>Details</u>	<u>Business interest</u>
None	

The following councillors have not made the appropriate disclosures of business interests in the Declaration of Interest Register:

Councillors

<u>Details</u>	<u>Business interest</u>
None	

39 EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date that require adjustment to or disclosure in the financial statements.

40 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Nature

The provision is subject to estimates used and historical trends.

41 RISK MANAGEMENT

41.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major b quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing

Financial assets exposed to credit risk at year end were as follows:

Standard Bank	7 810
Trade and other receivables	25 691 432

These balances represent the maximum exposure to credit risk.

The municipality is exposed to a guarantee for the overdraft facilities.

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

41.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity by reviewing future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

41.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Finance lease

Inkwanca Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

44 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

2011
R

5 230 035
759 737
4 900 644
3 357 056
14 247 472

169 512

169 512

475 997

-
1 415 121
1 891 118

Provision for leave

1 415 121

1 415 121

912 325
502 796
1 415 121

309 498
320 876
1 976 450
523 196
280 000
150 000

2011
R

3 560 020

3 560 020

2011
R

2 069 011
2 069 011
(2 069 011)
(2 069 011)
-
=====

**Present value
of minimum
lease payments**
R

30 325
60 967
91 292
30 325
69 227
=====

**Present value
of minimum
lease payments**
R

73 114
80 217
153 331
(73 114)
80 217
=====

3 634 270
3 634 270
-
3 634 270
=====

4 652 471
3 275 177
7 927 648
=====

63 593
63 593
=====

762
762
=====

2011
R

2 117 962
2 117 962

13 502 512
2 582 216
815 098
2 432 936
2 678 401

22 011 163

2 013 992
2 013 992

9 600 200
1 785 770
509 207
181 438
841 216
798 014

13 715 846

382 999
89 864
146 305
1 497

620 665

371 021
53 105
6 000
1 497

431 623

**Community
Services**
R

338 645
28 220
120 882
1 494

489 241

2011
R
Community
Services
R

287 797
46 524
102 555
1 497
438 372

83 456
1 572 026
1 655 482

-
-

125 501
5
125 506

4 604 067
4 604 067

815 098
2 327 269
1 949 526

-

3 989 183

12 633

9 093 709

-

2011
R

13 336
31 662
1 560 981
103 419
-

-
11 311
434 871
346 043
92 565
8 508
4 484
149 077
5 919
141 737

-
130 323

-
28 835

-
151 191
484 646
189 637
107 216
64 891
58 183

4 118 836

-
(7 601 645)

-
578 313
125 506

-
(2 118 724)
(9 016 550)

-
(43 702)
(1 508 931)
2 430 084

-
(989 990)
1 775 581
6 959 809
(8 157)
(0)

(401 855)

1 077 382
1 077 382

2011
R

Unauthorised

Expenditure

281 549
6 896 126
3 923 839
1 035 338
233 549

12 370 401

509 433
153 760
-

663 193

89 181
64 579

153 760

-
1 997 140

-

1 997 140

R 1 985 586
R 11 554

R 1 997 140

298 776
116 500
-

415 276

1 681 276
1 163 991
(1 256 281)

1 588 986

2011
R

remaining VAT

61 754
1 545 825
-

1 607 579

2 463 373
(2 142 300)
-

321 073

**Outstanding more
than 90 days**
R

259 076
2 163 817
3 027 423
3 439 746

8 890 063

8 890 063
-
8 890 063

2011
R

6
134 451

Transactions amount

_____ - _____

In Register of
Interest

Carrying amount

88 560 594

banks with high

g basis.

7 810
3 060 464

2011
R

y risk through an on-

sh flow interest rate

2011
R

Inkwanca Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
for the year ending 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30	Received during the period	Redeemed / written off during the period	Balance at 30	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			June 2011	R	R	June 2012		
LONG-TERM LOANS								
Chris Hani District Municipality			2 069 011	-		2 069 011		
Wesbank	D45519X		-	-	-	-	-	-
Toyota Finance	T54306H		-	-	-	-	-	-
Wesbank	DDL52169B		1 795	-	(1 795)	-	-	-
Wesbank	DDL55360J		54 467	-	(29 146)	25 321	-	-
Wesbank	DDL55644V		59 103	-	(31 107)	27 996	-	-
Other Leases	Various		60 957	-	-	60 957	-	-
Deferred Finance Charges	All		(22 992)	-	-	(22 992)		
TOTAL EXTERNAL LOANS			2 222 341	-	(62 048)	2 160 293		

Inkwanca Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	-	-	-	-	-	-	-	-	-	-			-
Landfill Sites	-	-	-	-	-	-	-	-	-	-			-
Buildings	-				-	-				-			-
Infrastructure													
Roads	1 659 568				1 659 568	-				-			1 659 568
Sewerage Mains & Purification	-				-	-				-			-
Electricity Mains	-				-	-				-			-
Water Mains & Purification	-				-	-				-			-
Storm Water	-				-	-				-			-
Community Assets	1 659 568	-	-	-	1 659 568	-	-	-	-	-	-	-	1 659 568
Libraries	-				-	-				-			-
Halls	1 462 469				1 462 469	-				-			1 462 469
Cemeteries	-				-	-				-			-
Heritage Assets	1 462 469	-	-	-	1 462 469	-	-	-	-	-	-	-	1 462 469
Historical Buildings	-				-	-				-			-
Other Assets													
Office Equipment	17 368				17 368	-				-			17 368
Furniture & Fittings	83 007				83 007	-				-			83 007
Motor vehicles	-				-	-				-			-
Computer Equipment	301 490				301 490	-				-			301 490
Other Assets	-				-	-				-			-
Finance Lease Assets	401 865	-	-	-	401 865	-	-	-	-	-	-	-	401 865
Office Equipment	46 224				46 224	-				-			46 224
Total	3 570 127	-	-	-	3 570 127	-	-	-	-	-	-	-	3 570 127

Inkwanca Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	-	-	-	-	-	-	-	-	-	-			-
Landfill Sites	-	-	-	-	-	-	-	-	-	-			-
Buildings													-
Infrastructure													
Roads	1 624 179	35 389			1 659 568	-				-			1 659 568
Sewerage Mains & Purification						-				-			-
Electricity Mains						-				-			-
Water Mains & Purification						-				-			-
Storm Water						-				-			-
Community Assets													
Libraries													-
Halls	862 386	600 083			1 462 469	-				-			1 462 469
Cemeteries						-				-			-
Heritage Assets													
Historical Buildings	862 386	600 083	-	-	1 462 469	-	-	-	-	-			1 462 469
Other Assets													
Office Equipment	-	17 368			17 368	-				-			17 368
Furniture & Fittings	48 042	34 965			83 007	-				-			83 007
Motor vehicles	-	-			-	-				-			-
Computer Equipment	215 225	86 265			301 490	-				-			301 490
Other Assets	-	-			-	-				-			-
Finance Lease Assets													
Office Equipment	-	46 224			46 224	-				-			46 224
Total	2 749 832	820 294	-	-	3 570 127	-	-	-	-	-			3 570 127

Inkwanca Local Municipality
APPENDIX E (1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the year ended 30 June 2012

	2012	2012	2012	2012	
	Actual Income	Budget	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
Revenue					
Property rates	9 513 984	3 000 000	(6 513 984)	-217%	
Service charges	15 038 275	7 325 000	(7 713 275)	-105%	
Rental of facilities and equipment	81 664	75 575	(6 089)	-8%	
Interest earned - external investments	-		-	0%	
Interest earned - outstanding receivables	5 024 617	0	(5 024 617)	0%	
Fines	54 146	150 000	95 854	64%	
Government grants and subsidies	21 267 999	27 145 040	5 877 041	22%	
Other income	551 476	282 590	(268 886)	-95%	
Total revenue	51 532 162	37 978 205	(13 553 957)	-36%	
Expenses					
Employee related costs	15 636 553	17 237 742	1 601 189	9%	
Remuneration of councillors	1 556 163	1 850 851	294 688	16%	
Bad debts provision	-		-	0%	
Depreciation and amortisation expense	-		-	0%	
Repairs and maintenance	1 309 957	1 624 950	314 993	19%	
Finance costs	4 045	6 000	1 955	33%	
Bulk purchases	4 538 592	5 562 600	1 024 008	18%	
Grants and subsidies paid	-		-	0%	
General expenses	4 382 595	8 498 118	4 115 523	48%	
Total expenses	27 427 905	34 780 261	7 352 356	21%	
Surplus / (deficit) for the period	24 104 257	3 197 944	(8 408 287)	-1042%	

Inkwanca Local Municipality
APPENDIX E (2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
for the year ending 30 June 2012

	2012	2012	2012	2012
	Actual / Under Construction	Budget	Variance	Variance
	R	R	R	%
Land				
Land	-		-	0%
Landfill Sites	-		-	0%
Buildings	-		-	0%
Infrastructure				
Roads	-		-	0%
Sewerage Mains & Purification	-	-	-	0%
Electricity Mains	-		-	0%
Water Mains & Purification	-		-	0%
Storm Water	-		-	0%
Community Assets	-			
Libraries	-		-	0%
Halls	-		-	0%
Cemeteries	-		-	0%
Heritage Assets			-	
Historical Buildings	-		-	0%
Other Assets				
Office Equipment	-	-	-	0%
Furniture & Fittings	-	-	-	0%
Motor vehicles	-	-	-	0%
Computer Equipment	-	-	-	0%
Other Assets	-		-	0%
Finance Lease Assets				
Office Equipment	-		-	0%
Total	-	-	-	0%

IT)

Explanation for Significant Variances greater than
10% vs Budget